



Department of Defense INSTRUCTION

NUMBER 1015.12

October 30, 1996

ASD(FMP)

SUBJECT: Lodging Program Resource Management

- References: (a) [DoD Directive 1015.11](#), "Lodging Resource Policy," December 9, 1996
- (b) [DoD Instruction 1015.10](#), "Programs for Military Morale, Welfare and Recreation (MWR)," November 3, 1995
- (c) DoD 4165.63-M, "DoD Housing Management," September 1993 authorized by DoD Directive 4165.63, July 20, 1989
- (d) DoD Directive 1015.1, "Establishment, Management, and Control of Nonappropriated Funds Instrumentalities," August 19, 1981
- (e) through (r), see enclosure 1

1. PURPOSE

This Instruction implements policy, assigns responsibilities, and prescribes procedures under reference (a) for the resource management of lodging programs.

2. APPLICABILITY AND SCOPE

This Instruction:

2.1. Applies to the Office of the Secretary of Defense, the Military Departments (including the Coast Guard when it is not operating as a Military Service in the Navy by agreement with the Department of Transportation), the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Defense Agencies, and the DoD Field Activities (hereafter referred to collectively as "the DoD Components"). The term "Military Services," as used herein, refers to the Army, the Navy, the Air Force, and the Marine Corps.

2.2. Applies to the Commissioned Corps of the Public Health Service under agreement with the Department of Health and Human Services.

2.3. Creates no rights or remedies and may not be relied upon by any person, organization, or other entity to allege a denial of any rights or remedies.

3. DEFINITIONS

Terms used in this Instruction are defined in enclosure 2.

4. POLICY

It is DoD policy under DoD Directive 1015.11 (reference (a)), as follows:

4.1. Purpose of Lodging. The DoD Components shall establish a lodging program to maintain mission readiness and improve productivity. Category A lodging is intended to provide quality lodging facilities and service to authorized personnel and maintain maximum occupancy to reduce official travel costs. For Category B and C recreational lodging operations, the intent is defined in subsection 4.1 of DoD Instruction 1015.10 (reference (b)) under the purpose of morale, welfare and recreation (MWR). Authorized patrons for TDY and PCS lodging are identified in DoD 4165.63-M, (reference (c)), in addition for PCS lodging activities operated by MWR and exchanges, lodging patrons are identified in DoDI 1015.10 (reference (b)).

4.2. Lodging Programs. Lodging programs are vital to mission accomplishment and directly support the readiness mission by providing community support systems for a mobile military population.

4.3. Types of Lodging. The DoD Components shall follow established types of lodging programs for uniformity of funding and reporting. All management and financial data reported shall comply with DoD Instructions 1015.10, 1015.1, 7000.12, 1330.20 and DoD 7000.14-R, volume 13 (references (b), (d), (e), (f) and (g)). Lodging programs are described in accordance with funding categories in enclosure 3.

4.3.1. Temporary Duty (TDY) Lodging. Considered Category A lodging and official travel quarters or transient unaccompanied personnel housing (TUPH). These facilities are the primary source of quarters for TDY personnel, and should be used if the quarters meet minimum mission requirements and are available.

Permanent Change of Station (PCS) personnel and their families, retirees, etc. may use TUPH. TUPH shall be a separate fund, designated as a lodging or billeting fund, independent of the single MWR fund. Service charges are set at the lowest rate possible to reduce travel costs yet recover authorized nonappropriated fund expenses to include planned room furnishings, refurbishment, and amenity upgrades specified in the five-year plan (see enclosure 4) in addition to other costs. Currently, these type of facilities are known under several different names such as Visiting Officer Quarters (VOQ), Visiting Enlisted Quarters (VEQ), or Distinguished Visitor Quarters (DVQ). DoD 4165.63-M (reference (c)) provides program management policy and procedures for items such as occupancy, furnishings and services, space and facility standards, determination of requirements, and implementation of rental policies under OMB Circular A-45 (reference (h)) for TDY lodging.

4.3.2. PCS Lodging Programs. May be considered as either Category A or C lodging operations depending on the organizational structure of the Military Department. These facilities are provided to meet the traveling needs of active duty members and their families who are in a PCS status and normally provide some type of kitchen facilities. PCS style lodging facilities may also be used by individuals who are in a TDY status and other authorized patrons; however, PCS personnel have priority use. The Military Service concerned shall determine the method of delivery of lodging services for PCS personnel. MWR programs (to include exchange services) may provide lodging needs for PCS personnel and their families. When these PCS needs are met by MWR operating facilities or the facilities are built and maintained by MWR nonappropriated funds (NAFs), they shall be a part of the single MWR nonappropriated fund instrumentality (NAFI) and shall operate as a Category C revenue generating activity. When such facilities are built and maintained or operated by other than the MWR program or exchange service, they shall be a separate fund, designated as a Lodging or Billeting fund, independent of the single MWR fund. When operated as a Lodging or Billeting fund, DoD 4165.63-M (reference (c)) provides program management policy and procedures for items such as occupancy, furnishings and services, space and facility standards, determination of requirements, and implementation of rental policies under OMB Circular A-45 (reference (h)) for PCS lodging. Currently these types of facilities are known under several different names, such as Guest Houses, Temporary Lodging Facilities (TLFs) or Lodges such as Navy Lodges. These programs are closely related, in terms of supporting the military mission, to the TDY lodging program.

4.3.3. Recreational Lodging Programs. These programs are considered as MWR programs and are defined in enclosure 4 of DoD Instruction 1015.10 (reference (b)). They include Category B and C MWR activities, such as camping or unofficial

lodging programs, such as cabins, cottages, trailers and recreational vehicle parks. Joint Service facilities and Armed Forces Recreation Centers (AFRCs) are also included in this category. The Department of the Army acts as the executive agent for AFRCs and specific operating policies are contained in Army regulations. All recreational lodging programs follow MWR policies specified in reference (b). The major users of these programs are the patrons authorized in enclosure 3 of reference (b).

4.3.4. Military Treatment Facility (MTF) Lodging. These are considered to be Category A lodging activities such as facilities built by Zachary and Elizabeth M. Fisher Armed Services Foundation, Nightingale Houses or other donated lodging facilities. These houses support the patients and their families who use the MTF. The local MTF Commander controls the operation of these houses. These are classified as a supplemental mission fund, special NAFI, separate from the Lodging, Billeting, or MWR fund, to account for NAF revenues from service charges, sundry sales, interest income, fund raising contributions and other income. The MTF commander establishes service charges to pay NAF operating expenses. The initial building, including furnishings, appliances, etc. for a complete and usable facility are initially provided with funds donated by a foundation; e.g., Zachary and Elizabeth M. Fisher Armed Services Foundation. Construction, replacement, and facility maintenance of these donated facilities are appropriated fund (APF) requirements.

4.4. Strategic Plans. Lodging programs shall be strategically planned, programmed, and executed using business management practices to fulfill local needs, while maintaining the readiness capability to support the wartime mission and to meet quality, fiscal, health, and safety standards.

4.4.1. Planning. The DoD Components shall ensure that short- and long-term lodging plans are established and maintained.

4.4.1.1. Short-Term Plans. A comprehensive annual review of all lodging programs and financial resourcing that ensures program delivery is consistent with the DoD Component and Military Services' goals and objectives.

4.4.1.2. Long-Term Plans. A strategic plan that aligns the lodging program goals and objectives with resourcing, responsibilities, and implementation programming. The minimum planning period for a long-term plan is 5 years.

4.4.2. Standards. The DoD Components shall develop goals and standards for the lodging program. At a minimum, these standards shall include the following:

4.4.2.1. Program. Ensure lodging programs meet mission requirements and are market driven. The DoD Components shall periodically measure customer demand, usage, and satisfaction, and act upon findings.

4.4.2.2. Financial. Ensure lodging programs are resourced with APF and NAF according to financial categories, and installation lodging NAFs are financially sustainable. The DoD Components shall report results according to guidance in enclosures 5 and 6.

4.4.2.3. Construction. Ensure lodging facilities adequately support programs and services that meet the demands of authorized patrons. Lodging NAF construction programs shall be supported by feasibility studies, as described in DoD Instruction 1015.1 (reference (d)), and should seek solutions that provide long-term economies of scale and efficiencies, such as multi-use facilities, and consideration of private sector availability to determine cost effectiveness.

4.4.2.4. Training. The DoD Components shall provide training programs that stress stewardship and customer orientation to ensure, as a minimum, that commanders and lodging managers understand fiduciary accountability and program responsibilities.

4.5. Funding. Depending on the nature of the element of expense, programs may be resourced from appropriated or NAFs. Fund sources for Category A lodging activities are specified in enclosure 4 of this Instruction while Category B and C lodging activities are specified in enclosure 6 of DoD Instruction 1015.10 (reference (b)).

4.5.1. Funding Oversight. The Assistant Secretary of Defense for Force Management Policy is responsible for oversight of the total APF and NAF resourcing of lodging programs, including major force structure changes, selected individual program growth, and new market-oriented lodging programs. The Deputy Under Secretary of Defense for Industrial Affairs and Installations is responsible for oversight of APF resourcing for construction of TDY lodging. APF authorizations for elements of resource are shown in enclosure 4. The standards for APF support are shown in enclosure 5. The DoD Components shall report annually on the status of meeting the standards.

4.5.2. Service Charges. For Category A lodging, charges are authorized for the cost of housekeeper and custodial services, and amenities provided in lodging

facilities that are not authorized to be paid with APF. The charges may be used to defray the cost of items for the exclusive support of the lodging program, such as installing phones, televisions, TV extended cable services or additional premium channels, decorations, room refurbishment, furnishings and other room amenities comparable to commercial hotel accommodations. Service charges for Category A lodging operations shall be deposited in a Lodging or Billeting fund account, Category B and C lodging operations may be deposited in MWR or exchange service fund accounts as appropriate. Enclosure 4 of this Instruction, Lodging Program APF Support Table of Authorizations, provides authorizations for Category A lodging operations.

4.5.3. Housekeeping and Custodial Service Charges. Housekeeping and custodial service may be performed as a service for permanent party unaccompanied personnel housing (PPUPH) residents. Service charge rates must be set to break-even after covering operating costs, associated supplies and administrative costs. NAFs generated from TDY lodging service charges shall not be used to fund any PPUPH requirements.

4.5.4. Cash Accumulation. For Category A lodging NAFI funds, service charge accumulation shall not exceed ten percent of the annual average budgeted cost of providing the services and amenities described in paragraphs 4.5.1, 4.5.2, and 4.5.3. Category A lodging service charges shall be reduced to remedy an excess of NAF. The annual average budgeted cost shall include all NAF planned room refurbishment and amenity upgrades to be accomplished in accordance with the Services-published five year plan to improve such lodging operations. This plan shall also include APF-funded facility and equipment repair and maintenance, minor or major construction and renovation of lodging facilities to show the total financial resources required to improve lodging operations. For Service and intermediate headquarters, total cash accumulation shall not exceed ten percent of the annual budgeted cost for lodging support, plus appropriate reserves for potential liabilities, and capital investments specifically planned and approved.

4.5.5. Loans. Internally to a Military Service, NAFs shall be borrowed only from the Military Service level MWR, Lodging or Billeting funds to perform capital improvements authorized nonappropriated funding in accordance with enclosure 4. Commercial loans may be used to finance improvements which are authorized NAF funding. All loans shall be repaid. The repayment plan terms and conditions shall be established in writing at the Military Service level. The payback of the loans shall be included in the establishment of the service charge paid by the individuals occupying the facilities.

4.5.6. Management of Funds. Funds generated from Category A lodging operations shall be managed and accounted for separately from other NAFIs. Transfers of funds to other non-lodging NAFIs is not authorized except to repay loans as authorized in paragraph 4.5.5.

4.5.7. Single Fund Source. To prevent budgeting the same expense from both APFs and NAFs, only one funding source shall be used for financing operation, maintenance and repair, construction, furniture, fixture and equipment expenditures. Specific fund sources for Category A lodging activities are specified in enclosure 4 of this Instruction while Category B and C lodging activities are specified in enclosure 6 of DoD Instruction 1015.10 (reference (b)).

4.5.8. Centralized Lodging Funds. Use of a centralized NAFI lodging fund concept to consolidate cash above immediate operational need at installations is authorized. Under this concept cash is withdrawn to fund capital expenditures of high dollar and bulk supply items. Remaining resources at the installation are applied to fund annual operating and capital requirements.

4.6. Use of Lodging NAFs. NAFs that are generated from lodging programs or associated with lodging programs shall only be used within lodging programs unless they are organized as part of the single MWR fund. Unauthorized use of NAFs is addressed in DoD Directive 1015.1 (reference (d)).

4.6.1. Private Support. Lodging programs are not authorized to provide NAF financial assistance to private organizations or individuals, unless reimbursed or as authorized by other regulations or statute. Lodging programs shall not distribute, transfer, or donate NAF property or assets to a private organization, unless authorized by other regulations or statute. Individuals, units, organizations, or installations shall not have proprietary interest in NAFs and NAFI assets. NAFs shall be used for the collective benefits of lodging patrons.

4.7. Customer Focus. To fulfill the lodging mission, the DoD Components shall establish and operate customer-driven lodging programs as determined by periodic market analysis for the benefit of authorized patrons.

4.7.1. Market Analysis. Lodging services and products shall be determined by the market as measured by sales, market research, patron affordability, and the ability to maintain financially viable operations.

4.7.2. Information Management. Appropriate management information

systems shall meet reporting requirements of the installation, major command, Military Services, and the Department of Defense. Automated data processing (ADP) systems shall use open system architecture that facilitates interchange of data among different systems. The Military Services shall enhance ADP cooperative effort initiatives among each others lodging programs.

4.7.3. Lodging Programs. In reviewing programs to determine whether current lodging programs should be continued or enhanced or new lodging programs should be established, the accessibility and capabilities of existing lodging programs, exchange service, on base commercial, or civilian community lodging alternatives, as well as current and planned lodging programs of adjacent DoD installations, shall be considered. Installations should consider local community programs. Separate installation programs should be established only when the local community programs do not meet the requirements or when they are not cost-effective.

4.8. Staffing. Although APF employees provide the primary source of staffing for Category A programs, lodging programs are authorized NAF housekeeping service and other staff positions in accordance with the appropriate funding category specified in enclosure 4. Military personnel may be assigned in Category A areas authorized APF support. Category B and C lodging follow the staffing policies contained in DoD Instruction 1015.10 (reference (b)).

4.9. Installation Lodging Support. The DoD Components shall provide lodging support to all eligible personnel and activities supported by the installation, in compliance with "Authorized Patronage of Military MWR Programs" in enclosure 3 of reference (b) and DoD 4165.63-M (reference (c)). Tenant organizations shall receive lodging services from the host installation or community and shall not duplicate host services. Exceptions may be granted under agreements between the Military Departments or Defense Agencies concerned. DoD Instruction 4000.19 (reference (i)), applies to inter-Service, interdepartmental, and interagency support.

4.10. Base Realignment and Closure (BRAC). Lodging realignment and closure costs are authorized funding from all BRAC accounts. BRAC appropriations shall finance lodging closure and realignment costs that are a direct result of an approved BRAC action.

4.10.1. BRAC Funding. Lodging programs may use BRAC funding for costs affecting personnel (civilian severance, civilian permanent change of station (PCS), outplacement, transportation of property, etc.). Such funding may also be used for planning and design, minor construction, or operations and maintenance. This

includes the cost equal to the depreciated value of the lodging NAF investment in acquisition, construction, or improvement of real property and facilities.

4.10.2. Property. NAF personal property is NAFI-owned Government property dedicated to providing support for authorized personnel, but it is not APF Government property. At BRAC locations, this NAF property may be removed at the Military Service or DoD Component's discretion. Every effort should be made to ensure the local redevelopment authority is aware of this difference from APF property. APF-purchased lodging property is considered Government property subject to BRAC policy.

4.10.3. NAF Treasury BRAC Account. Proceeds from the sale at BRAC sites of NAF real property or facilities acquired, constructed, or improved with NAF shall comply with existing BRAC statutory procedures for recoupment of these NAF lodging funds. The amount deposited shall be equal to the depreciated value of the investment made with such funds in the acquisition, construction, or improvement of that particular real property or facility. The Secretary of Defense may use amounts in the account for acquiring, constructing, and improving NAFI real property and facilities.

4.11. Resale. Lodging programs may engage in resale activities and services that are directly related to their program as defined in enclosure 3. Such activities shall be NAF-operated. Otherwise, military exchanges shall be the primary source of resale merchandise and services on DoD installations. Lodging programs shall obtain, in advance, written right of first refusal from the exchange service to operate any other resale or service activity.

4.12. Alcoholic Beverage Sales. The sale of alcoholic beverages in lodging programs shall follow the policy and procedures specified in enclosure 12 of DoD Instruction 1015.10 (reference (b)).

4.13. Standards of Conduct. The standards of conduct published in DoD Directive 5500.7 (reference (j)) and DoD 5500.7-R (reference (k)) are applicable to personnel assigned to or employed by lodging programs, services, and entertainment. Violations by personnel subject to the Uniform Code of Military Justice (UCMJ) (reference (l)) are punishable under reference (l).

4.14. Equal Opportunity. The non-discriminatory provisions in DoD Directives 1350.2 (reference (m)) and 1020.1 (reference (n)) are applicable to lodging programs, services, and entertainment, and shall guide lodging officials and employees in the

performance of their duties.

4.15. Fiduciary Responsibility. NAF are Government funds entitled to the same protection as funds of the U.S. Treasury. NAF are designated for the benefit of authorized patrons and the purposes of the NAFI. There is an individual fiduciary responsibility for properly using NAF and preventing waste, loss, or unauthorized use. The Department of Defense encourages the reporting of suspected violations at the lowest organization level possible. However, reports may be made to senior management, organizational inspectors general, or to the Department of Defense Hotline. Commanders are responsible for prompt detection, proper investigation, and appropriate corrective action. Individuals reporting NAF violations are protected from reprisal. DoD Directive 1401.3 (reference (o)) is applicable to NAF employees and employers and contains protections and responsibilities in NAF whistleblower cases in accordance with DoD 7000.14-R (reference (g)). Commanders shall take appropriate action against present and former personnel responsible for violations. In cases of a serious criminal infraction, commanders shall refer the matter to the appropriate Defense criminal investigative organization for investigation and referral to judicial authorities. Under 10 U.S.C. 2783b (reference (p)), penalties for substantial violations of regulations governing the management and use of NAF by civilian NAF employees shall be the same as provided by law for misuse of appropriations by civilian employees of the Department of Defense paid from APFs. Violations by personnel subject to the UCMJ (reference (l)) are punishable under reference (l).

5. RESPONSIBILITIES

5.1. The Assistant Secretary of Defense for Force Management Policy, under the Under Secretary of Defense for Personnel and Readiness, shall:

5.1.1. Serve as the principal point of contact on all lodging resource policy matters, except APF construction of TDY lodging, with the DoD Components.

5.1.2. Develop policy and guidance to ensure proper administration and management of Category B and C lodging programs and monitor compliance thereof.

5.1.3. Develop a DoD lodging resource strategic plan.

5.1.4. Develop DoD lodging resource goals.

5.1.5. Establish minimum lodging financial standards and monitor compliance.

5.1.6. Oversee total APF and/or NAF resourcing of lodging programs, except APF construction of TDY lodging.

5.1.7. Establish working groups with representatives from Components throughout the Department of Defense to assist in formulation and review of lodging resource policies.

5.2. The Heads of the DoD Components shall:

5.2.1. Designate a focal point(s) to perform control, coordination, oversight, and information management functions for lodging programs.

5.2.2. Develop Military Service standards for all lodging programs in support of DoD goals.

5.2.3. Ensure effective short- and long-term planning for lodging programs.

5.2.4. Fund Lodging programs according to OSD Policy in enclosure 4 and ensure respective funding streams are identified in annual budgets to meet lodging goals.

5.2.5. Ensure installations operate market driven lodging programs as determined by market analysis for the benefit of authorized patrons.

5.2.6. Submit all management and financial reports to the Assistant Secretary of Defense (Force Management Policy) reflecting personnel and financial management data in accordance with DoD Instructions 1015.10, 1015.1, 7000.12, 1330.20 and DoD 7000.14-R, volume 13 (references (b), (d), (e), (f) and (g)).

5.2.7. Consider cost-effective alternatives to on-base lodging programs, including exchange service, on-base commercial or local commercial operations.

5.2.8. Ensure lodging support to all authorized individuals assigned or supported on the DoD installation at least comparable to moderate priced private-sector lodging enterprises.

5.2.9. Ensure training is provided stressing stewardship and customer orientation.

5.2.10. Implement all other lodging policies as identified in this Instruction.

5.3. The Heads of the DoD Components (other than OSD, the Secretaries of the Military Departments, and the Chairman of the Joint Chiefs of Staff) shall establish, manage, and control lodging programs in accordance with the directives of the Military Department responsible for logistical support.

6. PROCEDURES

Procedures are in enclosures 3 through 6.

7. INFORMATION REQUIREMENTS

The reporting of suspected violations of fiduciary responsibilities identified at paragraph 4.15 is exempt from licensing in accordance with paragraph 5.4.7. of DoD 8910.1-M (reference (q)). The reporting of financial management data required by paragraph 5.3.6. and enclosures 5 and 6 is exempt from licensing in accordance with paragraph 5.4.6. of reference (q). The annual reporting requirement referred to in enclosures 5 and 6 is required by DoDI 1330.20 (reference (f)), further described in DoDI 1015.10 (reference (b)) and assigned Report Control Symbol DD-P&R(A) 1555 in accordance with reference (q).

8. EFFECTIVE DATE

This Instruction is effective immediately.


F. Pang
Assistant Secretary of Defense
Force Management Policy

Enclosures - 6

1. References
2. Definitions
3. Types of Programs Specified by Funding Categories
4. Lodging Program (Category A) APF Support Table of Authorization
5. Metrics APF Support as a Percent of Total Expenses
6. Metrics NAF Financial Assessment Report

E1. ENCLOSURE 1

REFERENCES, continued

- (e) DoD Instruction 7000.12, "Financial Management of Morale, Welfare, and Recreational Activities," May 27, 1987
- (f) DoD Instruction 1330.20, "Reporting of Morale, Welfare, and Recreational (MWR) Activities Personnel Information," September 4, 1980
- (g) DoD 7000.14-R, "DoD Financial Management Regulation," Volume 13, "Nonappropriated Funds Policy and Procedures," August 1994, authorized by DoD Instruction 7000.14, November 15, 1992
- (h) Office of Management and Budget Circular No. A-45 (Revised), "Rental and Construction of Government Quarters," October 20, 1993
- (i) [DoD Instruction 4000.19](#), "Interservice and Intergovernmental Support," August 9, 1995
- (j) DoD Directive 5500.7, "Standards of Conduct," August 30, 1993
- (k) DoD 5500.7-R, "Joint Ethics Regulation (JER)," August, 1993, authorized by DoD Directive 5500.7, August 30, 1993
- (l) Chapter 47 of title 10, United States Code, "Uniform Code of Military Justice"
- (m) DoD Directive 1350.2, "Department of Defense Military Equal Opportunity (MEO) Program," August 18, 1995
- (n) DoD Directive 1020.1, "Nondiscrimination on the Basis of Handicap in Programs and Activities Assisted or Conducted by the Department of Defense," March 31, 1982
- (o) DoD Directive 1401.3, "Employment Protection for Certain Nonappropriated Fund Instrumentality Employees/Applicants," July 19, 1985
- (p) Sections 2783b, 2801, 2805, and 2811 of title 10, United States Code
- (q) DoD 8910.1-M, DoD Procedures for Management of Information Requirements, November 1986
- (r) DoD Instruction 1000.15, "Private Organizations on DoD Installations," September 22, 1978

E2. ENCLOSURE 2

DEFINITIONS

E2.1.1. Advertising. The medium providing conspicuous notice or information to the public through private and public media, such as newspapers, magazines, trade and professional journals, special printed matter, circulars, flyers, posters, signs, radio, television, and other promotional devices, such as decals, table tents, or activity calendars. Includes merchandise containing advertising that is free of charge as a bonus or as an inducement to buy. Examples of premiums are ball-point pens or plastic rulers having an intrinsic item value of not over \$10 retail.

E2.1.2. Alcoholic Beverages. Beverages containing any alcohol including wines, malt beverages, and distilled spirits. This excludes nonalcoholic beer and wine products.

E2.1.3. Appropriated Funds (APF). Funds appropriated by Congress.

E2.1.4. Architectural and Engineering Services. Applies to services that include the necessary consultations, preparation of preliminary studies, analysis, cost estimates, working drawings, specifications, interior design and decoration, and the inspection and supervision services required for the construction, alteration, or repair of real property facilities.

E2.1.5. Auditing Services. Relates to the independent examination, review, and evaluation of the records, internal controls, practices, and procedures in the area of financial and operational management of Lodging.

E2.1.6. Common Support. That direct support used to fund the management, administration, and operation of more than one Lodging program or category and that is not easily or readily identifiable to a specific Lodging program. Examples of common support are central accounting office functions, civilian personnel office functions, ECECS, common warehousing functions, and central procurement functions.

E2.1.7. Communications. Applies to electronic communications (for example, telephone, teletype, television, fax, modem, Defense Switched Network, Automatic Data Information Network, on-base telecommunications cable); postage service (dispatch of official mail and rental of post office boxes, domestic, international, or military postal service); and printing and reproduction (including work done on printing presses, lithographing, and other duplicating related to binding operations,

photography, microfilming, formats and forms development, editing, and graphics).

E2.1.8. Conversion. Work required to adjust interior arrangements or other physical characteristics of an existing facility, or part of a facility, so it may be used for a new purpose where the facility category code changes. This includes equipment installed in, and made a part of, the existing facility. Work required to adjust interior arrangements or other physical characteristics of an existing facility that does not change the primary purpose of the Lodging activity and/or program being conducted within the facility is not a conversion and is not reported or reviewed as a new NAF construction project.

E2.1.9. Customer Driven. Programs and services provided based on customer input.

E2.1.10. Data Automation. Applies to automated data processing system development or operation.

E2.1.11. Equipment. Acquisition cost of any item of equipment, furniture or furnishings that does not meet the criteria of investment cost.

E2.1.12. Equipment Maintenance and Repair. Applies to the maintenance, repair, and overhaul of equipment either authorized on table of allowances or on loan to Lodging or equipment purchased with nonappropriated funds.

E2.1.13. Executive Control and Essential Command Supervision (ECECS). Those managerial staff functions and positions located above the direct program managerial and operational level of individual Lodging programs that support planning, organizing, directing, coordinating, and controlling the overall operations of Lodging programs. ECECS consists of program, fiscal, logistical, and other managerial functions that are required to ensure oversight.

E2.1.14. Facilities Maintenance. Refers to the day-to-day work required to preserve real property facilities and prevent premature failure or wearing out of system components (electrical, mechanical, heating, ventilation, and air conditioning, plumbing, roofing, foundations, doors, windows, etc.) or damage to the facility interior resulting from failure of a facility system or to meet health and safety requirements, etc. Work required to prevent or correct all life safety deficiencies; ensure the structural and operational integrity of the building components (such as roofing, foundations, ceiling, floors, walls, windows, doors, etc.); and installed building equipment and systems (such as plumbing, heating, ventilating, cooling, air

conditioning, electrical fire protection, and security, etc.); and preserve the existing exterior of a facility and grounds. For lodging programs, this excludes the purchase of furnishings, carpeting, wall coverings, drapes, bedspreads, light fixtures, blinds, appliances, etc.

E2.1.15. Facility Repair. Work that is required to restore a facility structure, components, and systems to its safe, effective, and economical support of assigned missions and organizations. If this repair work is done to support activities that are authorized to receive APF support, it may be funded with APFs. For such projects, repair work costing up to \$5 million for an entire single purpose facility or one or more functional areas of a multipurpose facility can be funded from the Operation and Maintenance appropriation in accordance with 10 U.S.C. 2811(b) (reference (p)). Repairs costing more than \$5 million require Military Department Secretary approval. As a general guideline, when it is estimated that repair costs would exceed 70 percent of replacement costs, replacement rather than repair is recommended. For lodging programs this includes the purchase of carpeting, wall coverings, drapes, light fixtures, blinds, built-in appliances, etc. for a complete and usable facility for a turn key operation.

E2.1.16. Grounds Maintenance. Scheduled routine maintenance that the engineering personnel conduct on the installation on grounds, lawn shrubbery, flowers, landscaping, and picnic and park areas (on installation and off installation recreation sites).

E2.1.17. Installation. Any DoD real property, area, or facility that is controlled, owned, leased, or funded by the Department of Defense.

E2.1.18. Installation Expansion. A major increase in authorized and assigned personnel strength over a short period of time. Such expansion must be the result of a mission change or influx of new units or systems. As an example, a 25 percent increase in a 1-year time span satisfies these criteria. In contrast, personnel increases resulting from an evolutionary expansion occurring over several years do not satisfy these criteria.

E2.1.19. Market Analysis. Identification and definition of the market which includes a program and financial analysis of capability, requirements, and needs of that market, including the private sector, if applicable.

E2.1.20. Military Construction. Applies to the erection or installation of new buildings or systems, additions, and conversions, including major repair work. See 10

U.S.C. 2801 (reference (p)) for APF projects. For lodging programs this includes the purchase of carpeting, wall coverings, drapes, light fixtures, blinds, built-in appliances, etc. for a complete and usable facility for a turn key operation.

E2.1.21. Minor Construction. Applies to erecting, adding, expanding, altering, converting, replacing, or relocating an existing facility, provided the cost does not exceed certain dollar limits. See Section 2805 of reference (p) for APF projects. For lodging programs, this includes the purchase of carpeting, wall coverings, drapes, light fixtures, blinds, built-in appliances, etc. for a complete and usable facility for a turn key operation.

E2.1.22. Morale, Welfare, and Recreation (MWR) Programs. Those military MWR programs (exclusive of private organizations as defined in DoD Instruction 1000.15 (reference (r)) located on DoD installations or on property controlled (by lease or other means) by the Department of Defense or furnished by a DoD contractor that provide for the mission sustainment, community support, and other revenue generating programs for authorized DoD personnel. They include programs listed in enclosure 4 of DoD Instruction 1015.10 (reference (b)).

E2.1.23. Nonappropriated Funds (NAF). Cash and other assets received from sources other than monies appropriated by the Congress of the United States. (NAFs must be resources of an approved NAFL.) NAFs are U.S. Government funds, but they are separate and apart from funds appropriated by the Congress and recorded in the books of the Treasury of the United States. They are used for the collective benefit of the authorized patrons who generate them.

E2.1.24. NAF Construction. Single undertaking that produces a complete and usable facility or a complete and usable conversion of an existing facility. (See "conversion," definition E2.8.) Construction includes erection, installation, or assembly of a new facility; the addition, expansion, extension, relocation, or replacement of an existing facility; and site preparation, excavation, filling, landscaping, land improvements, utility connections, and installed equipment therein.

E2.1.25. Nonappropriated Fund (NAF) Employee. A person employed by a NAFL program and compensated from NAFs. Does not include contractor personnel.

E2.1.26. Overseas Locations. Any installation located outside the 48 contiguous United States and the District of Columbia.

E2.1.27. Rents. Applies to the use or possession of non-DoD lands, buildings,

and other improvements and installed equipment for a specified period through contract, lease agreement, or other legal instrument when authority is granted through appropriate channels.

E2.1.28. Resale Activities. The acquisition and resale of goods and services conducted by lodging programs or concessionaires. Specifically excluded from this definition are room charges, interest, and other sources of income not directly related to the sale or resale of merchandise and services.

E2.1.29. Services. A system or method of providing authorized patrons with the use of a broad spectrum of lodging programs or activities services that are an extension of another more specific lodging program or activity as classified in enclosure 3 of this Instruction.

E2.1.30. Supplies. Items that are expendable or consumed and lose their identity when used, having low value not requiring item accountability such as equipment. Examples include but are not limited to office and cleaning supplies, clock radios, irons, ironing boards, coffee pots, etc.

E2.1.31. Utilities. Includes services for water, sewer, gas, electricity, or other utility services used by lodging programs. Rates charged will not include incremental or prorated share of overhead, maintenance, and repair to utility systems, or capital investments in the installation's utility infrastructure systems unless otherwise specified by a memorandum of agreement (MOA) or Inter Service Support Agreement (ISSA).

E3. ENCLOSURE 3

TYPES OF LODGING PROGRAMS SPECIFIED BY FUNDING CATEGORIES

E3.1. CATEGORY A - MISSION SUSTAINING PROGRAMS

(This is not to imply that programs in this category are MWR Category A (mission sustaining programs); rather, it reflects the direct association of these programs to the support of the Military Service mission and the level of APF support inherent in these programs. Enclosure 4 of this Instruction provides the fund sources for these programs.)

E3.1.1. TDY Lodging: Transient Unaccompanied Personnel Housing (TUPH)

E3.1.2. PCS Lodging: Normally called Temporary Lodging Facilities (TLF)

E3.1.3. MTF Lodging: Military Treatment Facilities, initially provided as donated fully usable (turn key) facilities. Known as Fisher or Nightingale Houses.

E3.2. CATEGORY B - BASIC COMMUNITY SUPPORT PROGRAMS

(These are MWR programs and are defined in DoD Instruction 1015.10 (reference (b)).

E3.2.1. Outdoor Recreation Programs such as camping (Primitive and/or Tents)

E3.3. CATEGORY C - REVENUE GENERATING PROGRAMS

(These are MWR programs and are defined in reference (b)).

E3.3.1. Hospitality and Lodging

E3.3.1.1. Joint Service Facilities and/or Armed Forces Recreation Centers

E3.3.1.2. Unofficial Lodging Program

E3.3.1.2.1. Recreational Lodging (Cabins, Cottages, Trailers, Trailer and/or Recreational Vehicle (RV) Parks with Hook-Ups)

E3.3.1.2.2. PCS Lodging Facilities (Funded or operated by either MWR

or Exchanges)

E3.4. LODGING PROGRAM DESCRIPTIONS

E3.4.1. CATEGORY A - MISSION SUSTAINING PROGRAMS. Programs within this category are vital to mission accomplishment and directly support the readiness mission by providing community support systems for a mobile military population, a requirement that supports accomplishment of the basic military mission.

E3.4.1.1. TDY LODGING: TRANSIENT UNACCOMPANIED PERSONNEL HOUSING (TUPH). TUPH or official travel quarters are a primary source of quarters for TDY personnel and should be used if the quarters meet mission requirements and are available. These activities operate as a separate fund normally called a Lodging or Billeting fund, independent of the single MWR fund. Facilities are built, leased, acquired, maintained, managed, and operated primarily with APF (or contracted or acquired through APF contracting process) for patrons who are in a non duty or leave status and other authorized patrons; TDY personnel have priority use.

E3.4.1.2. PCS LODGING: TEMPORARY LODGING FACILITIES. When such facilities are built and maintained or operated by other than the MWR program or exchange service, they shall be a separate fund, designated as a Lodging or Billeting fund, independent of the single MWR fund. These facilities may be jointly operated within a Lodging or Billeting fund to gain operational economies, efficiencies and savings.

E3.4.1.3. MTF LODGING: MILITARY TREATMENT FACILITIES. MTF lodging supports the patients and their families who use the MTFs. These facilities operate separately from the Lodging or Billeting fund and are independent of the single MWR fund. Accounting and financial services may be provided by another NAFI to these funds.

E3.4.2. CATEGORY B - BASIC COMMUNITY SUPPORT PROGRAMS. These programs satisfy the basic physiological and psychological needs of Service members and families, providing, to the extent possible, the community support systems that make DoD installations temporary home towns for a mobile military population.

E3.4.2.1. OUTDOOR RECREATION

E3.4.2.1.1. CAMPING (PRIMITIVE AND/OR TENTS) Small campgrounds operated to provide camping as the primary recreation activity or to support participation in adjacent outdoor recreation activities. The operation of a snack bar, restaurant, or resale outlet is authorized only as a Category C program.

E3.4.3. CATEGORY C - REVENUE-GENERATING PROGRAMS. These programs are highly desirable as a means of providing recreational activity, with the attendant morale benefit.

E3.4.3.1. HOSPITALITY AND LODGING

E3.4.3.1.1. JOINT SERVICE FACILITIES AND ARMED FORCES RECREATION CENTERS. Facilities and programs operated by one Service for all Component use for the primary purpose of providing rest and recreation activities. Includes Armed Forces Recreation Centers, major hotel operations, and recreation sites designed for use by all Armed Forces personnel.

E3.4.3.1.2. UNOFFICIAL LODGING AND PERMANENT CHANGE OF STATION LODGING FACILITY PROGRAM. Facilities built, leased, acquired, maintained, managed, and operated primarily with MWR or exchange service NAFs (or contracted or acquired through NAF contracting process) for patrons who are in a leave or off-duty status. May also be used by individuals and families who are in a PCS or TDY status if non-MWR housing facilities or temporary housing is not available.

E3.4.3.1.2.1. RECREATIONAL LODGING CABINS, COTTAGES, TRAILERS, TRAILER AND/OR RV PARKS WITH HOOK-UPS. Lodging for recreational use on the installation and at off-installation recreation sites.

E3.4.3.1.2.2. PCS LODGING FACILITIES. As determined by the Military Service, MWR programs (to include exchange services) may provide lodging needs for PCS personnel and their families. When these PCS needs are met by MWR operating facilities or the facilities are built and maintained by MWR NAFs, they shall be a part of the single MWR NAFI and shall operate as a Category C Revenue Generating activity. When such facilities are built and maintained or operated by other than the MWR program or exchange service, they shall be a separate fund, designated as a Lodging or Billeting fund, independent of the single MWR fund.

These facilities are provided to meet the traveling needs of active duty members and their families who are in a PCS status and normally provide some type of kitchen facilities. Facilities may also be used by individuals who are in a TDY status and other authorized patrons; however, PCS personnel have priority use.

E4. ENCLOSURE 4

LODGING PROGRAM (CATEGORY A)

APF SUPPORT

TABLE OF AUTHORIZATION

E4.1.1. Category B and C lodging programs follow the MWR program APF support table of authorizations specified in enclosure 6 of DoD Instruction 1015.10 (reference (b)).

ELEMENT OF EXPENSE	FUND SOURCE	
	TDY	PCS
1. <u>CONSTRUCTION</u>		
1.1. Major (Military) Construction, see definition E2.1.20. of enclosure 2.	APF	NAF
1.2. Minor Construction, see definition E2.1.21. of enclosure 2.	APF	APF
1.3. Facilities Maintenance, see definition E2.1.14. of enclosure 2.	APF	APF
1.4. Facility Repair, see definition E2.1.15. of enclosure 2.	APF	APF
2. <u>RENTS AND LEASES</u>, see definitions of enclosure 2.	APF	APF
3. <u>UTILITIES</u>, see definition E2.1.31. of enclosure 2.	APF	APF
4. <u>LODGING OPERATIONS</u>		
4.1. Cable TV (service and installation) to include a premium channel	APF	APF
Additional service or premium channels	NAF	NAF
4.2. Telephones		
4.2.1. New or replacement systems	NAF	NAF
4.2.2. Monthly service charges	APF	APF
4.2.3. Charge calls		
4.2.3.1. Administration	APF	APF
4.2.3.2. Lodging guests	NAF	NAF
4.3. ADP Equipment and Supplies	APF	APF
4.4. Grounds maintenance	APF	APF
4.5. Housekeeping Service		
4.5.1. Guest rooms	NAF	NAF
4.5.2. Common areas	APF	APF
4.6. Other services (Associated with protecting health and safety. Services commonly supplied and provided to all installation employees and organizations. Examples include fire protection, security, safety, rescue, pest control, snow removal, sewage, trash and garbage removal, repair and clean up of environmental compliance, vet and medical support, sanitation inspection, maintenance of common grounds, etc.)	APF	APF

ELEMENT OF EXPENSE	FUND SOURCE	
	TDY	PCS
5. PERSONNEL		
5.1. ECECS, see definition E2.1.13. of enclosure 2.	APF	APF
5.2. Administration and management	APF	APF
5.3. Housekeepers and Janitors (includes supervisors)	NAF	NAF
5.4. Desk clerks and reservationist		
5.4.1. Full-time	APF	APF
5.4.2. Flex schedule desk clerks (short term NAF fill for vacant APF positions or to meet seasonal Workload)	NAF	NAF
5.4.3. Houseman and/or quality rooms monitors	NAF	NAF
5.5. Human resources office - NAF personnel	NAF	NAF
6. SUPPLIES		
6.1. Linen purchase and cleaning	APF	APF
6.2. Guest amenities (complimentary toiletries, resale items, etc.)	NAF	NAF
6.3. Cleaning supplies and equipment	APF	APF
6.4. Other supplies and equipment	APF	APF
7. EQUIPMENT		
7.1. Maintenance, repair, refurbishment and repair by replacement of furnishings carpeting, wall coverings, light fixtures, drapes, bedspreads, and blinds not related to construction or repair work.	NAF	NAF
7.2. Purchase, maintenance and repair of furnishings in administrative and front desk areas.	APF	APF
7.3. Purchase, maintenance and repair of appliances (washer, dryers, ice machines, and refrigerators, etc.).	APF	APF
7.4. Purchase, maintenance and repair of televisions, video cassette players, combination refrigerator and microwave, and microwaves, etc.	NAF	NAF
7.5. Vehicles for administrative and overhead use authorized by military service table of authorizations.	APF	APF
7.6. Vehicles for housekeeping and maintenance requirements	NAF	NAF
7.7. Vending and amusement machines	NAF	NAF
8. SERVICES		
8.1. Accounting Services	NAF	NAF
8.2. Carpet cleaning, drapery cleaning, furnishings repair	NAF	NAF

E5. ENCLOSURE 5

METRICS

APF SUPPORT AS A PERCENT OF TOTAL EXPENSES

E5.1.1. PURPOSE. The purpose of this metric is to monitor the degree of appropriated funding of lodging programs for Category A lodging operations and to measure compliance with established funding standards. Category B and C lodging operations are already reported under the requirements outlined in DoD Instruction 1015.10, enclosure 7 (reference (b)) but are repeated here to explain the total lodging program.

E5.1.2. SOURCE OF DATA. This metric shall be submitted by each of the Military Services to the Department of Defense in the Annual Report as required in DoD Directive 1015.1 (reference (d)). Data shall be drawn from the Military Services base year (actuals) of the Annual Report, and shall conform to the definitions used in that report.

E5.1.2.1. Include data from Schedule A Income and Expense statement for each program group.

E5.1.2.2. APF SUPPORT. Include Total APF support excluding military construction (MILCON).

E5.1.2.3. NAF EXPENSES. Include only NAF support excluding depreciation and cost of goods sold.

E5.1.2.4. Divide the amount of APF support (defined in paragraph E5.1.2.2., above) by the total of APF Support plus NAF Support (defined in paragraph E5.1.2.3., above) to obtain APF Support as a Percent of Total Support.

E5.1.3. CATEGORY REPORTS. Category totals must include all programs listed in the category listings, regardless of who operates those programs (lodging or some other organization). In the submission of the Annual Report narrative, the Military Services shall report the current fiscal year Category A, B, and C percentage of total APF and/or NAF operating expenses.

E5.1.4. FUNDING STANDARDS. The basic standard, regardless of category, is to use APFs to fund 100% of costs for which they are authorized.

E5.1.4.1. Category A - Category A lodging activities are entitled to the highest degree of APF support, reference enclosure 4 of this Instruction for the proper fund source. The Military Service has the authority to waive the fund source which will create higher NAF expenses and possibly higher lodging service charges. There are a number of activities included in Category A for reporting purposes, even though they are not expected to be fully funded with APFs. Examples include installation-level central accounting offices, procurement, personnel offices, and similar activities. In addition, Category A programs at installation level are frequently collocated with other minor functions (incidental resale activities, etc.) that may not be authorized APF support. For these reasons, the DoD APF standard for Category A is a minimum of 85% of total authorized APF expenditures.

E5.1.4.2. Category B - Category B lodging activities have a limited ability to generate NAF revenues, and are therefore entitled to a substantial level of APF support. Category B lodging activities could not be sustained without a significant level of APF support. The DoD standard for APF funding is a minimum of 65% of the total expenditures. These lodging operations are reported under the requirements outlined in DoD Instruction 1015.10, enclosure 7 (reference (b)).

E5.1.4.3. Category C - Category C lodging activities have the highest abilities to generate NAF revenues. In general, APF support should be limited if provided at all. The Military Services shall report the current fiscal year Category C percentage of total APF and/or NAF operating expenses, using the same approach as outlined in paragraph E5.4.1., above. These lodging operations are reported under the requirements outlined in enclosure 7 of reference (b).

E6. ENCLOSURE 6

METRICS

NAF FINANCIAL ASSESSMENT REPORT

E6.1.1. PURPOSE. The purpose of this report is to assess the NAF financial status of lodging programs within each category and the financial health of the lodging single fund.

E6.1.2. FREQUENCY. This metric shall be submitted by each of the Military Services to the Department of Defense in the Annual Report as required in DoD Directive 1015.1 (reference (d)). Income statement and balance sheet data shall be reported as of 30 September. The reports shall be based on the Statement of Operations by Category as submitted by each of the Military Services.

E6.1.3. FINANCIAL STANDARDS

E6.1.3.1. Category A - Category A lodging activity financial results in the aggregate must be at least break-even on an annual basis including common support pro rated functions. The lodging installation fund must maintain an acid test ratio of at least 1:1.

E6.1.3.2. Category B - Category B NAF financial results in the aggregate must be at least break-even on an annual basis excluding common support pro rated functions. These lodging operations are reported under the requirements outlined in DoD Instruction 1015.10, enclosure 7 (reference (b)).

E6.1.3.3. Category C - Each program in this category must be at least break-even on an annual basis excluding common support pro rated functions. These lodging operations are reported under the requirements outlined in DoDI 1015.10, enclosure 7 (reference (b)).

E6.1.4. BREAK-EVEN. Break-even financial results are defined as a zero or better net income excluding depreciation.

E6.1.5. ASSESSMENTS. The data should show the number of installation programs or installation single funds rated green and the number rated red.

E6.1.5.1. Green. Programs are rated green if they meet the standard of break-even or better.

E6.1.5.2. Red. Programs are rated red if they do not meet the standard; i.e., if they do not at least break-even.

E6.1.6. REPORTING. The Military Services shall report annually the following for all installations with lodging that have gross income over \$100,000 per year:

E6.1.6.1. The number and percentage of installations whose Category A programs do not meet the financial standards.

E6.1.6.2. The number and percentage of installations whose Category B programs, in aggregate, do not meet the financial standards. These lodging operations are reported under the requirements outlined in DoD Instruction 1015.10, enclosure 7 (reference (b)).

E6.1.6.3. The number and percentage of Category C programs that do not meet the financial standards. These lodging operations are reported under the requirements outlined in enclosure 7 of reference (b).